

Message Text

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16

ACTION AGR-08

INFO OCT-01 EA-07 ISO-00 CIAE-00 COME-00 EB-07 INR-07

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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 6647

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STATE PASS FAS/USDA

E.O. 11652: N/A

TAGS: ETRD/TW

SUBJECT: COTTON CONTRACT PROBLEM

1. ECON COUNSELOR AND AGATTACHE CALLED ON Y.T. WONG (WANT I-TING), DIRECTOR, BOARD OF FOREIGN TRADE (BOFT), AUG 14 TO EXPRESS CONCERN OVER POOR PERFORMANCE OF TEXTILE MILLS IN OPENING LETTERS OF CREDIT FOR PERIOD ONE AND TWO CONTRACTED COTTON. AS OF AUGUST 10, 24 MILLS WITH PERIOD ONE AND TWO CONTRACTS FOR 70,000 BALES, HAD NOT ACTED. AMBASSADOR ALSO BROUGHT THIS SUBJECT UP AGAIN WITH MINISTER OF ECONOMIC AFFAIRS, Y.S. SUN, ON PREVIOUS DAY.

2. WONG SAID BOFT HAD AGREED TO DELAY IN IMPLEMENTATION OF EXECUTIVE YUAN (EY) JULY 24 INSTRUCTION TO APPLY ADDITIONAL MEASURES TO FORCE MILLS TO OPEN L/C'S BECAUSE OF BANK OF TAIWAN (BOT) REFUSAL TO PROVIDE LOANS TO EIGHT MILLS WHICH WERE IN DEFAULT ON PREVIOUS LOANS FROM BOT. WONG EXPLAINED THAT EY INSTRUCTION MUST BE APPLIED TO ALL MILLS WITHOUT EXCEPTION UNLESS MILL CAN PROVIDE REASONS ACCEPTABLE TO THE GROC FOR NOT OPENING LETTERS OF CREDIT AND THAT INSTRUCTION COULD NOT BE IMPLEMENTED UNTIL

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PROBLEM OF FINANCING PURCHASES FOR EIGHT PROBLEM MILLS

RESOLVED.

3. OFFICIALS OF MINISTRIES OF ECONOMIC AFFAIRS AND FINANCE WILL MEET AT 3:00 P.M. AUGUST 18 WITH BANK OF TAIWAN AND CENTRAL BANK TO CONSIDER BOFT REQUEST THAT WITH THE CENTRAL BANK AS GUARANTOR, THE BOT PROVIDE THE SAME FINANCING FOR THE EIGHT PROBLEM MILLS THAT IS BEING PROVIDED FOR FINANCIALLY SOUND MILLS. WONG STATED THAT EY JULY 24 ORDER WOULD BE FULLY IMPLEMENTED FOLLOWING THIS MEETING WHETHER OR NOT THIS PARTICULAR PROBLEM IS RESOLVED.

4. WONG STATED THAT IN ADDITION TO EIGHT MILLS WHICH HAVE NOT OPENED LETTERS OF CREDIT BECAUSE LOANS WERE REFUSED BY BOT, ANOTHER TWO MILLS HAVE GONE BANKRUPT AND THREE OTHERS HAVE FAILED TO OPEN L/C'S BECAUSE U.S. TEXTILE MACHINERY HAS NOT BEEN DELIVERED, AND 11 OTHER MILLS HAVE SUBMITTED A VARIETY OF EXCUSES FOR NOT OPENING L/C'S. WONG INSTRUCTED HIS STAFF TO SUPPLY THE EMBASSY WITH FULL DETAILS OF THE ABOVE CASES. EMBASSY WILL FORWARD DETAILS UPON RECEIPT FOR YOUR ANALYSIS AND COMMENT.

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